

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2019/2020

### ULE2612 - LAW AND ECONOMICS

(All Sections / Groups)

12 JUNE 2020

Reading Time: 9.00 a.m. – 9.15 a.m.

(15 Minutes)

Answering Time: 9.15 a.m. – 12.15 p.m.

(3 Hours)

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#### INSTRUCTIONS TO STUDENT

1. Students will have fifteen minutes during which they may read the paper and make rough notes **ONLY** in their question paper. Students then have the remaining **THREE HOURS** in which to answer the questions.
2. This Question paper consists of 3 pages with 4 questions only.
3. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

**ANSWER ALL QUESTIONS****QUESTION 1**

The University of Chicago Law School is recognised as the birthplace of law and economics. Explain how the University of Chicago Law School came to play such an important role in legal education and research in the twentieth century.

(Total: 25 marks)

**QUESTION 2**

In his article titled 'The Problem of Social Cost', three traditional approaches for dealing with externalities have been debunked by Ronald Coase.

- (a) In not more than 100 words each, briefly explain these three approaches.

(5 marks x 3 = 15 marks)

- (b) With appropriate illustrations, explain in detail Coase's alternative to the problem of externalities.

(10 marks)

(Total: 25 marks)

Continued...

**QUESTION 3**

Answer either (A) or (B).

**3(A)**

Two major schools of thought on competition regulation are the Harvard School and the Chicago School. Discuss how ideas from both schools of thought are found in the Malaysian Competition Act 2010.

**(Total: 25 marks)**

~~~~~ OR ~~~~~

**3(B)**

- (i) Explain why economists consider knowledge as a form of public goods.

(5 marks)

- (ii) Shubha has invented a new reusable head-mounted helmet which can be used to reduce the risk of infection from COVID-19. Explain to Shubha the economic theory behind patent protection for his invention.

(10 marks)

- (iii) Apart from patent protection, explain briefly three alternative means of solving the public goods problem in generating new knowledge.

(10 marks)

**(Total: 25 marks)**

**Continued...**

**QUESTION 4**

- (a) Explain the market failures of adverse selection and moral hazard in the market for health insurance.

(20 marks)

- (b) Despite the prevalence of health insurance in some countries such as Malaysia and the United States of America, discuss how health insurance suffers from certain shortcomings as a way to fund the healthcare needs of members of society.

(5 marks)

**(Total: 25 marks)**

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